

EXHIBIT 40

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From: Reorg Alert <dockets@reorg-research.com>
Sent: Monday, September 16, 2019 1:53 PM
To: Zwilling, Zachary S.
Subject: [EXT] Puerto Rico - Puerto Rico Energy Regulator Expects to Issue Final Order on PREPA T&D Concession During Q2 2020 (Americas Intelligence)

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Puerto Rico

Puerto Rico Energy Regulator Expects to Issue Final Order on PREPA T&D Concession During Q2 2020

September 16, 2019 13:52

Relevant Document: [PREB Timeline](#)

The Puerto Rico government's energy market regulator expects to issue a final order on a system operator for the Puerto Rico Electric Power Authority's transmission and distribution system sometime in the second quarter of calendar 2020, Puerto Rico Energy Bureau President Edison Avilés told lawmakers this morning.

Avilés was testifying during a public hearing of the Puerto Rico Senate Special Committee on Energy Affairs on a measure, [Senate Resolution 1072](#), to evaluate the implementation of Act 17 of 2019, or the Puerto Rico Energy Public Policy Law, and Act 120 of 2018, or the Law to Transform Puerto Rico's Electrical System.

In a timeline of various proceedings provided with Avilés' written testimony, the PREB anticipates that the structure of the T&D provider and system operator would be set in the fourth quarter of calendar 2019. An "intervention and comments" period and PREPA revisions would follow in the first quarter of 2020 along with an "order for filing" and application review. A technical conference, hearing and briefs, discussion and feedback and final order are targeted for the second quarter of 2020, according to the PREB timeline.

Under the law, after the PREPA T&D system operator is selected and the terms of the concession are negotiated, the deal must be submitted to the PREB, which would have 30 days to issue a certification that it complies with the commonwealth's energy public policy, PREB associate commissioner Angel Rivera de la Cruz told Reorg during a break in the hearing.

During a House Economic Development, Planning, Telecommunications and Public-Private Partnerships and Energy Committee public hearing last month on the status of PREPA privatization efforts, the heads of the Public-Private Partnerships Authority and the Puerto Rico Fiscal Agency and Financial Advisory Authority testified that the commonwealth government has pushed the [target date for the selection](#) of a proponent to operate and maintain PREPA's T&D system into December 2019 from October.

During this morning's Senate hearing, Avilés updated lawmakers on more than a dozen issues being juggled by the regulator, including PREPA's pending [integrated resource plan](#) and discrete regulations on a range of matters including compliance certifications for PREPA asset transactions, interconnection, demand response, construction and expansion of energy installations, wheeling, performance-based incentives renewable energy certifications, and cybersecurity guidelines. The testimony touched on the status of pending studies on net metering, contributions in lieu of taxes, energy storage and incorporating renewable energy systems to the grid.

The PREB expects to hold hearings and issue a final order on PREPA's new IRP during the fourth quarter of calendar 2019. Under questioning, Aviles said that the IRP will include aggressive renewable energy requirements but added that the PREB is concerned about the "very delayed" process of PREPA negotiating renewable energy contracts. The PREB chief said the regulator would order PREPA in the coming weeks to open a competitive process that, among other things, will "allow us to see the real cost of renewable energy in Puerto Rico."

Also testifying at today's hearing was Economic Development and Commerce Secretary Manuel Laboy, who touched on the importance of PREPA's debt restructuring and federal aid to strengthen Puerto Rico's grid. He also expressed concerns about meeting Act 17 renewable energy targets of 40% penetration by 2025, 60% by 2040 and 100% by 2050.

Puerto Rico Senate Special Committee on Energy Affairs Chairman Larry Seilhamer opened the hearing by saying the ongoing hearings tied to Senate Resolution 1072 are aimed at ensuring that the various energy issues involving multiple agencies are on track. He closed today's hearing with comments on the importance of finalizing a [PREPA debt restructuring](#).

"There will be no climate for investment until we restructure PREPA's debt," Seilhamer said.

Popular Democratic Party Sen. Eduardo Bhatia anticipated that a restructuring support agreement supported by the PROMESA oversight board, the commonwealth government and PREPA creditors, including the ad hoc bondholders group and monoline insurers, would have to be amended "soon" because of the evolution of Puerto Rico's energy market. Bhatia said an RSA in which creditor recoveries would be covered by PREPA revenue "is not the way to go," adding that PREPA's bond debt would "eventually have to be covered out of the general fund."

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